

Medicare Prescription Drug, Improvement, and Modernization Act of 2003 **BENEFICIARY SAVINGS UNDER THE MEDICARE PRESCRIPTION DRUG BENEFIT**

Sections 1860D-4 and 1860D-14

Many Medicare beneficiaries could save significant amounts off the retail prices they currently pay for their prescription drugs with the enactment of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. Beneficiaries will be able to receive subsidies, discounts, and savings that will make their prescription drug dollars go further.

Discounts off Retail Prices

Beginning in June, people with Medicare will be able to enroll in a Medicare-endorsed prescription drug discount card to help them pay lower costs for their prescription medicines. When using the card, beneficiaries will save an estimated 10 to 25 off the retail prices of most of their drugs. This drug card is not the prescription drug benefit that will become available in 2006, but a first step in helping people with Medicare lower the costs they pay for their prescription drugs.

Drug Subsidies for All Beneficiaries

When the full drug benefit becomes available in January 2006, Medicare beneficiaries who choose to enroll in a prescription drug plan will receive a 75 percent subsidy from the federal government for their prescriptions (after meeting a \$250 deductible). Each beneficiary will have to pay the remaining 25 percent, until they spend a total of \$2,250. The beneficiary will pay all costs for their drugs between \$2,250 and \$3,600. Once an enrollee's out-of-pocket spending reaches \$3,600 in any year, the plan would pay for 95 percent of each prescription, and the enrollee would be responsible for 5 percent or a small co-payment. The following chart shows how the discounts and subsidies could apply to some of the drugs seniors use most.

**Comparison of Possible Cost-Sharing for Drugs Seniors Use Under the
Medicare Prescription Drug, Improvement, and Modernization Act of 2003**

Selected Popular Drugs for Seniors		Plan for Medicare		
Drug Name	2002 Retail Price for 30 Tablets *	Discounted Price **	Beneficiary's 25 Percent Coinsurance***	Beneficiary's 5 Percent Coinsurance****
Lopressor 100mg	45.99	36.79	9.20	1.84
Imdur 30mg	48.89	39.11	9.78	1.96
Lipitor 20mg	108.65	86.92	21.73	4.35
Proscar 5mg	82.59	66.07	16.52	3.30
Celebrex 200mg	86.28	69.02	17.26	3.45
Zyrtec 10mg	69.52	55.62	13.91	2.78
Vanceril 42mcg	51.05	40.84	10.21	2.04
Norvasc 5mg	34.94	27.95	6.99	1.40
Fosamax 70 mg, 4 pills	80.45	64.36	16.09	3.22
Zolof 100mg	78.96	63.17	15.79	3.16

NOTES: * Price data from "Shopping Smart for Prescription Drugs: A Guide to Discounts on Medication." Chicago Department of Public Health, Office of Managed Care. Prices are taken from telephone inquiries to a large chain pharmacy in September 2002. Future prices may be different. ** Calculations assume a 20 percent cost management savings. Actual discounts will vary from drug to drug and plan to plan. ***The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 provides coverage for 75 percent of enrollees' prescription expenses after a \$250 deductible is met, up to \$2,250 of total annual spending. ****The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 provides coverage for 95 percent of enrollees' prescription expenses after a beneficiary's out-of-pocket expenses reach \$3,600 annually.

Additional Benefits for Low-Income Beneficiaries

Seniors with incomes below 135 percent of the federal poverty level (\$12,569 for an individual; \$16,862 for a couple) will be given immediate assistance through a \$600 annual subsidy which they can use to buy their medicines with the Medicare-endorsed prescription drug discount card. In 2006, when the Medicare drug benefit begins, people with Medicare who have limited savings and incomes below 150 percent of the federal poverty level (\$12,569 for an individual and \$16,862 for a couple in 2004) would see even more savings.

People with limited savings and incomes below 135 percent of poverty (\$12,569 for an individual and \$16,862 for a couple in 2004) would pay no monthly premium, no deductible, and only \$2 for generic and preferred multiple source drugs and \$5 for other prescription drugs, with no coverage limit. These co-payment amounts would be reduced to \$1 and \$3 for beneficiaries who are eligible for both Medicare and Medicaid (known as dual eligible beneficiaries) and who have incomes below the federal poverty level (\$12,569 for an individual; \$16,862 for a couple). Nursing home residents who are dually eligible for Medicare and Medicaid will have no co-pay.

Seniors with limited savings and incomes below 150 percent of poverty would pay reduced monthly premiums on a sliding scale, a \$50 deductible, 15 percent cost sharing, and no coverage limit.

Even more Savings Through Lower Cost Alternatives and Prudent Management

Medicare prescription drug plan sponsors will be able to use techniques that are currently used by health plans most Americans have today, such as step therapy, tiered formularies and generic substitution. For example, pharmacists will have to tell consumers if a more affordable generic drug is available to treat their condition. Beneficiaries with certain chronic conditions will also be able to see even more savings from medication therapy management programs. Together, all these approaches will help Medicare beneficiaries get the greatest value from the prescription drug plan.

Examples of Beneficiary Spending and Saving under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003

Nellie W. has high blood pressure and diabetes, but paying for her prescriptions is difficult because she and her husband live on a fixed income of \$15,850 per year and have no drug coverage. All of their monthly drug premiums would be paid and they would generally have co-payments of only \$2 or \$5 per prescription—so her drug spending could fall to as little as \$100 per year.

Vernon M. has had a series of open-heart surgeries and suffers from diabetes and melanoma. He currently lacks prescription drug coverage and spends about \$400 a month on drugs to treat his multiple conditions. Beginning in 2006, his out-of-pocket spending on drugs would drop from \$4,800 per year to around \$2,400—cutting his drug expenditures in half. With his premium payments factored in, he'll save almost \$2,000 a year. These savings come even though Vernon has drug expenses that exceed the initial coverage limit.

Beginning in 2006, seniors now paying the full retail price for prescription drugs will be able to cut their drug costs roughly in half in exchange for a monthly premium of about \$35. In many cases, they'll save more than 50% on what they pay for prescriptions:

Seniors Paying Full Retail Prices with <u>Monthly</u> Rx Bills of...	Will Have <u>Annual</u> Rx Savings of...	Reducing Their <u>Annual</u> Rx Spending by...
\$100	\$773	64%
\$200	\$1,733	72%
\$300	\$2,220	62%
\$400	\$2,460	51%
\$500	\$2,700	45%
\$600	\$3,567	50%
\$700	\$4,719	56%
\$800	\$5,871	61%

Note: assumes 20 percent cost management savings.